


**CITY OF HUNTINGTON BEACH
PUBLIC WORKS COMMISSION
REQUEST FOR ACTION**

Item No. PWC 07-22

SUBMITTED TO: Chairman Siersema and Members of the Commission

SUBMITTED BY: David Webb, PE, Acting Deputy Director of Public Works -
Operations 

DATE: July 18, 2007

SUBJECT: Sewer Service Charge Adjustment for 2007/08

Statement of Issue: The Huntington Beach Municipal Code requires an annual adjustment to the Sewer Service Charge. The Commission's concurrence is requested in recommending the proposed charge for City Council approval.

Funding Source: Estimated service charge revenue for 2007-08 is \$7.16 million.

Recommended Action: Concur with staff's request to recommend that the Council approve the proposed sewer service charge adjustment.

Alternative Action: Do not adopt the ordinance and continue charges as currently established. This action would reduce revenue by 2.9% and potentially conflict with Section 14.55.030 Annual CPIU Adjustments.

Analysis: In accordance with Section 14.55.030 Annual CPIU Adjustments, each Sewer Service User Charge shall be adjusted to reflect the annual percentage adjustment in the Consumer Price Index for all Urban Consumers (CPIU) in Los Angeles, Orange and Riverside Counties established by the U.S. Bureau of Labor Statistics and available as of July 1 of each year.

The CPIU available as of July 1, for the month of May 2007, reflects an annual increase of 2.9%. This percentage was calculated and is included in the recommended increase to the Sewer Service User Charge effective October 2007.

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Due to the outcome of recent court decisions related to Proposition 218, the City Attorney has opined that local governments are required to seek property owner approval prior to increasing water or sewer rates. To obtain property owner approval, the local government must first provide notice of a public hearing to the record owners of each affected parcel. The notice must be sent not less than 45 days before the hearing. Property owners may protest the fee in writing or in person at the time of the hearing. If the majority of property owners do not protest, the increase to the fee may be implemented.

Attachments:

1. Table: Proposed Sewer Service Charge 2007/08

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ATTACHMENT #1

City of Huntington Beach

Public Works Department

Sewer Service Fund

Annual Performance Audit

July 2007

Sewer Service Fund Performance Audit

Review of Fiscal Year 2006-07

Introduction

On September 4, 2001, the Huntington Beach City Council adopted a Sewer Service Charge and created the Sewer Service Fund. The Sewer Service Fund revenue is designated solely for the rehabilitation, replacement, repair and maintenance of City-owned sewers and lift stations. This is in accordance with the California Health and Safety Code Section 5470, and is included in the ordinance that adds Chapter 14.54 to the Huntington Beach Municipal Code. The ordinance established the Huntington Beach Public Works Commission as both the oversight committee, and the final appeals board.

The Sewer Service Fund shall be subject to an annual review and performance audit by the Public Works Commission. The information presented in this report complies with Section 14.54.070 Annual Program Review. In addition, the City Council shall receive at a regularly scheduled meeting, the recommendations of the Public Works Commission concerning fees, rates and charges proposed to be modified or added to the sewer service user charge. A public hearing on proposed charges will be held annually in conjunction with the City's annual budget process and hearing.

Program Overview

- Both revenues and expenditures for the sixth year of the program are consistent with the adopted budget.
- Scheduled maintenance projects and minor emergency repairs will be completed within the allotted budget.
- Capital improvements included lift station design work, the sewer lining program, continuing construction on Lift Station D and Warner Avenue Gravity Sewer and the continued upgrade of the SCADA system.
- The Municipal Code states that the Consumer Price Index for Urban Consumers (CPIU) that is available July 1 shall be used to calculate rates.

Review of 2006-07 Budget

Personnel and operating expenditures account for approximately nineteen percent of the adopted 2006/07 Sewer Service Fund budget, and are directed toward preventative and routine maintenance. The budget includes salaries, sewer line maintenance, lift station services and manhole upgrades. The balance of the expense budget is

earmarked for capital projects, including slip lining, pipeline rehabilitation and lift station replacements and capital equipment replacements. In general, the sewer maintenance section of the Utilities Division expends the operating and equipment replacement budgets, and the Engineering Division is responsible for the implementation of capital projects.

Sewer Lift Stations: Design of the Brighton/Shoreham and the Edwards/Balmoral sewer lift stations began in FY 2006-2007 and is scheduled for completion at the end of 2007. Construction of the Brighton/Shoreham station will begin in FY 2007-08 and construction of the Edwards/Balmoral station is tentatively scheduled for FY 2008-09.

Sewer lining: Sewer lining programmed in FY 2006-07 was encumbered and is currently underway.

Warner Gravity Sewer Construction/Lift Station "D": These projects were encumbered in FY 05-06. Completion of both is anticipated for November 2007.

Utilities Operations Yard Upgrade: To accommodate the reorganization of the Sewer Section into the new Utilities Division funds were budgeted for upgrades to the Utilities Operations Yard (formerly the Water Operations Yard). In 2006-07, \$57,750 was budgeted as the Sewer Fund share to begin design of full-scale improvements. It is estimated that the total budget amount will be expended this fiscal year.

SCADA: Supervisory Control and Data Acquisition (SCADA) systems are utilized by both the sewer and water utilities to control and monitor remotely, the many facilities. With the Public Works Department reorganization and the creation of the new Utilities Division, upgrade of the sewer SCADA system is planned. The water SCADA system was upgraded to a spread spectrum radio and PC based control system in 2000. By converting the sewer SCADA to the same format and equipment standards as the water SCADA, the division will be able to manage both more efficiently. In 2006-2007, \$300,000 will be expended on hardware and software to continue this transition to one standardized system.

Beginning Balance 10/05	\$12,215,202
Actual Revenues 05-06	\$8,748,027
Actual Expenditures 05-06	\$ (8,047,303)
Unreserved Funds Available 10/06	\$12,915,926
Beginning Balance 10/06	\$12,915,926
Projected Revenues 06-07	\$7,620,000
Projected Expenditures 06-07	\$(17,897,927)
Unreserved Funds Available	\$2,637,999
Projected Beginning Balance 10/07	\$2,637,999

Revenue Detail

<u>Source</u>	<u>FY 05-06</u>	<u>FY 06-07</u>
	Actual	Projected
Customer Charges	\$6,732,000	\$6,900,000
Interest	\$563,575	\$420,000
Grants	\$1,104,000	
Other	\$37,000	\$300,000
Total	\$8,436,575	\$7,620,000

Operating expenditures for the current year are consistent with the adopted budget. According to projections, some savings will be realized in the areas of utilities, salaries and maintenance. The primary utility cost is electricity to the lift stations. Staff monitors electrical use and works with Southern California Edison to insure that each lift station is signed on for the most economical rate.

<p align="center"><i>Sewer Service Fund Budget</i></p> <p align="center"><i>FY 2006/07 Projected Expenditures</i></p>

Personnel	Budget	Projected
Salaries, Permanent	\$1,275,460	\$920,000
Salaries, Temporary	\$44,000	\$50,000
Regular Overtime	\$60,000	\$70,000
Benefits	\$617,836	\$450,000
Total Personnel	\$1,997,296	\$1,490,000
Operating		
Utilities	\$158,000	\$160,000
Supplies	\$71,740	\$62,710
Repairs and Maintenance	\$617,535	\$610,000
Conferences and Training	\$3,800	\$1,200
Rental Expense	\$2,000	\$2,100
Cost-Allocation charges	\$865,517	\$865,517
Auto Allowance	\$5,400	\$5,400
Contingency	\$75,000	\$10,000
Total Operating	\$1,798,992	\$1,716,927
Capital		
Buildings Improvement	\$57,750	\$58,000
Equipment	\$48,000	\$48,000
Vehicles	\$545,000	\$520,000
Purchase Software - Capital	\$25,000	\$25,000
Total Capital	\$675,750	\$651,000
CIP		
Lift Stations	\$12,400,000	\$12,240,000
Slip Lining	\$2,100,000	\$1,500,000
SCADA	\$330,000	\$300,000
Total CIP	\$14,830,000	\$13,940,000
Total	\$19,302,038	\$17,897,927

2006-2007 Sewer Maintenance Activities

Sewer Lines

- 955,000 lineal feet of sewer pipe cleaned, projected to be 1,700,000 lineal feet by year-end.
- 15,400 pounds of debris removed: projected to be 27,000 pounds of debris removed by year-end.
- Approximately 94 pounds of debris removed per mile of sewer line.
- Clean 196 chronic trouble spots/areas of sewer line maintained from twice to twelve times per year.

- Fats, Oils and Grease program has investigated with C.C.T.V. camera 32 food service establishments lateral sewer lines for grease deposits going into the City's sewer system; projected to be 60 by year-end.
- Fats, Oils and Grease program has cleaned 31,900 lineal feet of sewer line around food service establishments; projected to be 62,000 lineal feet by year-end.
- Fats, Oils and Grease program removed 160 pounds of grease from sewer lines around food service establishments; projected to be 300 pounds removed by year-end.
- Cleaned 67,140 lineal feet of arterial sewer lines, approximately 22% of all arterial lines.
- Applied root control in 15,139 lineal feet of sewer line.

Manholes

- Clean and inspect 5,950 manholes; projected to be 9,000 manholes by year-end.
- Approximately 10 manholes projected to be repaired and recoated by year-end.
- Sprayed insecticide for roaches in 105 manholes.

Sewer Lift Stations

- 28 Lift Stations inspected three times a week and cleaned every two months
- 180 Check valves cleaned projected to be 345 by year-end.
- 18 Sewer pumps taken apart and rebuilt with new parts as needed, projected to be 29 by year-end.
- 28 Telemetry batteries and 3 station sump pumps installed.
- Replaced 3 transducers, 1 ventilation system and 4 starters.
- Replaced one 3 HP motor, one 7.5 HP motor, one 10 HP motor.
- 28 Sewer wet wells cleaned, projected to be 56 by year-end.
- Replaced 1 controller.
- Removed and replaced the inside coating on four lift station wet wells.
- Paint the interior walls and plumbing/piping of three sewer lift stations, projected to be six by the end of the year.

Emergency Response

- 22 sewer spills to date (16 private, 6 City)
- Five power outages requiring the use of generators to power the lift stations.
- 315 service requests from the public during business hours.
- 51 after hours lift station alarms and failures.
- 72 after hours police call outs for miscellaneous sewer related problems.

Large Maintenance Projects

- Replace/upgrade two sewer lift stations, Coral Cay and Edinger Stations.
- Bypass to repair for leaks and recoat wet wells at Gilbert, New Britain and Bushard Sewer Lift Stations.
- Recoat and rebuild nine manholes (Edinger)
- Upgrade Bushard Sewer Lift Station pumps and motors and install a new force main.

Proposed FY 2007-08 Budget

Sewer Service Charge Adjustments

In accordance with Section 14.55.030 Annual CPIU Adjustments, each Sewer Service User Charge shall be adjusted to reflect the annual percentage adjustment in Consumer Price Index for all Urban Consumers (CPIU) in Los Angeles, Orange and Riverside Counties established by the U.S. Bureau of Labor Statistics and available as of July 1 of each year. The purpose for annual adjustment of the rates is to ensure that the revenues continue to fully fund the needs of the program.

To accommodate the billing system, all service charge rates are calculated to four decimal places, and charged on a daily factor. The daily factor converts the monthly charge based on a 365-day year. This is a modification from the initially adopted rate schedule. The customer's bill reflects a charge based on the number of days between meter readings. A resolution was adopted by the City Council to authorize the daily rate methodology.

The percentage adjustment in the CPIU available as of July 1, 2007 for the month of May reflects an annual increase of 2.9%. This percentage will be calculated and included as the recommended increase to the Sewer Service User Charge effective October 2, 2007. For purposes of comparison, the rates represent a monthly charge.

Due to the outcome of recent court decisions related to Proposition 218, the City Attorney has opined that local governments are required to seek property owner approval prior to increasing water or sewer rates. To obtain property owner approval, the local government must first provide notice of a public hearing to the record owners of each affected parcel. The notice must be sent not less than 45 days before the hearing. Property owners may protest the fee in writing or in person at the time of the hearing. If the majority of property owners do not protest, the increase to the fee may be implemented.

Proposed Sewer Service Charge Fiscal Year 2007/08

Customer Category	Charge Type	Unit	Current Charge	Proposed Charge
Residential: Single-family & townhouses with individual meters	Flat rate for all customers in category	per unit per month	\$7.1132	\$7.3195
Apartment: All apartments, mobile homes and townhouses served by common meters	Flat rate for all customers in category	per unit per month	\$5.9004	\$6.0715
Regular Commercial/Industrial: Most businesses, including private schools	Flat rate amount per Equivalent Dwelling Unit (EDU). EDU refers to either (1) the capacity of a customer's water meter in comparison to a standard $\frac{3}{4}$ inch meter, or (2) the number of tenant units that receive water service through the water meter, whichever is higher	per EDU per month	\$8.2552	\$8.4946
High-Consumption Commercial/Industrial: Businesses with high water consumption relative to their meter size	Flat rate per hundred cubic feet (ccf) of estimated sewer discharge	per ccf per year	\$1.5447	\$1.5895
Public Schools: All public K-8 and high school districts with schools in the City	Flat rate per student per year with a different rate per student for K-8 and for high schools ADA - Average Daily Attendance	High School per ADA per year	\$2.2719	\$2.3378
		K-8 per ADA per year	\$1.4630	\$1.5054

<p align="center"><i>Sewer Service Fund Budget</i> <i>FY 2007/08 Proposed</i></p>

Personnel

Salaries, Permanent	\$1,260,117
Salaries, Temporary	\$44,000
Regular Overtime	\$69,000
Benefits	\$600,650

Total Personnel	\$1,973,767
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Operating

Utilities	\$164,000
Supplies	\$72,990
Repairs and Maintenance	\$607,900
Conferences and Training	\$3,700
Rental Expense	\$13,300
Auto Allowance	\$5,800
Cost Allocation	\$893,214
Contingency	\$75,000

Total Operating	\$1,835,904
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Capital

Buildings Improvement	\$800,000
Sewer Improvement	\$32,000
Equip, General/Vehicles	\$340,000

Total Capital	\$1,172,000
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CIP

Lift Stations	\$2,500,000
Slip Lining	\$500,000
SCADA	\$200,000

Total CIP	\$3,200,000
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TOTAL	\$8,181,671
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Revenue Detail FY 07-08

Customer Charges	\$7,157,000
Interest	\$300,000
Reimbursements	\$350,000

Total	\$7,807,000
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Sewer Service Fund Projected Balance Sheet

Beginning Balance 10/07	\$2,637,999
Projected Revenues 07-08	\$7,807,000
Proposed Expenditures 07-08	(\$8,181,671)
Beginning Balance 10/08	\$2,263,328

Capital Projects FY 2007-08

Sewer Lift Stations: Design of the Brighton/Shoreham and the Edwards/Balmoral sewer lift stations began in FY 2006-2007 and is scheduled for completion at the end of 2007. Construction of the Brighton/Shoreham station will begin in FY 2007-08 at an estimated cost of \$2,500,000. Construction of the Edwards/Balmoral station is tentatively scheduled for FY 2008-09.

Sewer lining: Sewer lining programmed in FY 2006-07 was encumbered and is currently underway. Additional sewer lining efforts are programmed in FY 2007-08 with a budget of \$500,000.

Utilities Operations Yard Upgrade: To accommodate the reorganization of the Sewer Section into the new Utilities Division funds were budgeted for upgrades to the Utilities Operations Yard (formerly the Water Operations Yard). Full scale design is expected to begin in FY 07-08. \$800,000 is budgeted as the Sewer Fund's share of the total 07-08 design budget (\$3,800,000). The remainder of the design funds are budgeted under the Water Fund.

SCADA: The \$200,000 budgeted for the upcoming fiscal year continues the upgrade efforts that were begun in 2004-2005.

Sewer Lateral Program

Staff will be investigating the possible addition of a sewer lateral program to the Sewer Service Fund. Current practice places the responsibility for maintenance of sewer laterals (the discharge line from the property to the City sewer line) entirely on the owner of the property, even for that portion of the lateral that crosses public property (from beginning of the right-of-way to the City sewer line). This has been a common practice in municipalities. However, since the majority of lateral damage is due to root damage from publicly-owned parkway trees, cities, including Huntington Beach, have typically lost any challenges to this practice, with courts opining that the City is responsible for the line within the public right-of-way.

A number of cities, including Santa Ana and Newport Beach, have implemented programs whereby lateral repairs are either performed by the City, in-house or via

contract, or initiated by the property owner and reimbursed by the City. Staff will be examining the costs of such a program and how these costs may be recovered through the Sewer Service Charge. A report shall be presented to the Public Works Commission at a later date.